GAMBLING IN CANADA

Triumph, Tragedy, or Tradeoff?

NON-PROFITS AND GAMBLING EXPANSION: THE BRITISH COLUMBIA EXPERIENCE

by
Colin Campbell, Ph.D.

DECEMBER 2000

CANADA WEST FOUNDATION

ABOUT THE GAMBLING IN CANADA PROJECT

Gambling in Canada: Triumph, Tragedy or Tradeoff? is an ndependent national study of gambling in Canada. Funded by a number of philanthropic foundations including the Donner Canadian Foundation, the 3-year Gambling in Canada Project ends in September 2001. Emerging from public debates about the expansion of gambling, the project was designed to provide a much-needed comprehensive picture of the public policy issues surrounding gambling in Canada. Four overarching research areas are being explored:

(1) the impact of gambling on the non-profit sector;

(2) opinions, attitudes and public policy implications of gambling;

(3) the history and scope of gambling in Canada; and

(4) the socio-economic impact of gambling on communities.

The Canada West Foundation's Gambling in Canada Project is not supported by any government, the gambling industry, special interest groups, or individuals with known positions on gambling issues. The research objectives and output of the project is overseen by a Project Advisory Committee to ensure the accuracy and objectivity of the research undertaken.

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Jason J. Azmier,
Senior Policy Analyst
Canada West Foundation
P.O. Box 6572 Station D
Calgary, Alberta Canada
T2P 2E4

e-mail: azmier@cwf.ca
web site: www.cwf.ca
phone: (403) 264-9535 (ext. 22)
fax: (403) 269-4776

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Non-Profits and Gambling Expansion:
The British Columbia Experience

December 2000

Executive Summary

Background

For the entire 20th century, charitable and religious organizations in Canada have enjoyed a legal exemption from the general prohibition against gambling, so long as the revenues are dedicated to charitable or religious purposes. With even the most cursory of glances at the context of legalized gaming in Canada, it is apparent that charitable and non-profit organizations have been major beneficiaries of Canadian federal gambling laws and provincial licensing policies. Although non-profit organizations paved the way for the legitimation and wide-spread public acceptance of gambling, these same non-profits now stand on the threshold of being inadvertently, but nevertheless effectively, squeezed from the gambling market place by an unlikely set of competitors – provincial governments. The purpose of this study is to use a provincial case study to examine the historical influence of charitable and non-profit organizations in bringing about changes to the federal laws and provincial policies that have regulated gambling. British Columbia provides a basis for meaningful comparisons to gambling policies in other provinces.

Key Findings

- In reaction to the variability of gambling policies in British Columbia, non-profit organizations have developed a perspective that they have a right to access gambling revenues. This was persistently borne out in the submissions to gambling reviews calling for that right to be enshrined in provincial legislation.

- In British Columbia, many non-profit organizations have been reactive rather than proactive in seeking gambling expansion.

- Consistently through the 1980s and 1990s, non-profits expressed their preference that if and when expansion occurs, charitable organizations "be allowed to remain on a level playing field" with whatever new developments are to be introduced.

- It is apparent from the history of gambling in British Columbia that non-profits have been a convenient justification for government-attempted expansions. Each provincial review explicitly concedes that non-profit funding is a vital component of gambling policies and that expansion initiatives are intended to enhance, not threaten, the amount of revenues available to charities.

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Implications for Policy Development

- What can be observed in B.C. is a sustained erosion of the role that non-profit organizations have played in conducting charity gambling events, and a persistent encroachment by government on the revenues available through gambling operations. That is, charitable involvement in casino gambling as licensees who "managed and conducted" gambling is now passé.

- The success of charity gambling in its variety of formats has contributed to the environment in which regulated gambling is acceptable to a great many Canadians. The challenge for B.C. policymakers will continue to be to introduce expansion in a manner that is acceptable not only to existing stakeholders such as non-profit organizations, but to the broader public in the face of eroding non-profit involvement in gambling.

- With the continued phasing-in of destination casinos and a continued escalation in the number of slot machines in both destination and community casinos, legal changes to accommodate continued non-profit involvement in bingo will be for naught. Provincial government monopolization of gambling operations in the form of casinos and slot machines represents a trajectory that will ultimately destroy the viability of remaining non-profit bingo ventures.

Methodology

A number of sources were consulted by this study. Historical data and data related to federal government policies were gathered from existing public documentary sources. Data pertaining to the evolution of provincial gambling policies and the influence of non-profit organizations on policy were derived from reports produced during government-initiated policy reviews and from various provincial task forces. An analysis of a variety of submissions tendered by non-profit organizations supplemented the data gained from government-produced documents and reports. Finally, open-ended telephone interviews were conducted with key government regulators and with leaders in the non-profit sector.

Author

Non-Profits and Gambling Expansion: The British Columbia Experience was written by Colin S. Campbell, Ph.D., Department of Criminology, Douglas College.

Copies of **Non-Profits and Gambling Expansion: The British Columbia Experience** can be downloaded for free from the Canada West Foundation web site (www.cwf.ca), or can be ordered for $3.00.
To order a copy, please contact:

Canada West Foundation
P.O. Box 6572, Station D • Calgary, Alberta, Canada • T2P 2E4
Ph: (403) 264-9535 • Fax: (403) 269-4776 • E-mail: cwf@cwf.ca

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NON-PROFITS AND GAMBLING EXPANSION: THE BRITISH COLUMBIA EXPERIENCE

by

Colin Campbell, Ph.D.

DECEMBER 2000

This report is a summary of a longer, more detailed case study of BC charitable gambling policy. A version of the full study is available to order from the Canada West Foundation at a cost of $10. To order a copy of the full report e-mail: cwf@cwf.ca or call (403) 264-9535.

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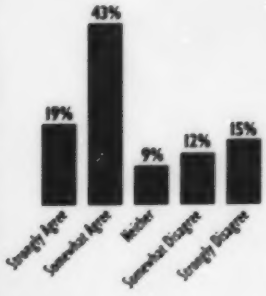
P.O. BOX 6572 Station D
Calgary, AB CANADA T2P 2E4
ph: (403) 264-9535
fax: (403) 269-4776
e-mail: cwf@cwf.ca
web site: www.cwf.ca

Introduction

For the entire 20th century, charitable and religious organizations in Canada have enjoyed a legal exemption from the general prohibition against gambling, so long as the revenues are dedicated to charitable or religious purposes. With even the most cursory of glances at the context of legalized gaming in Canada, it is apparent that charitable and non-profit organizations have been major beneficiaries of Canadian federal gambling laws and provincial licensing policies.

FIGURE 1: DO YOU AGREE THAT: "on the whole, gambling is an acceptable activity in (province)"



Source: Azmier, 2000

At the same time, gambling in Canada underwent a significant transformation in the 20th century. This transformation has entailed three consequences. The first is that the Canadian public has become openly tolerant of an activity once seen as disreputable and unsavoury. Indeed, many Canadians now see participation in gambling as an acceptable recreational activity done at bingos, racetracks, and legal casinos or by purchasing the provincial government lottery tickets (Azmier, 2000). On the whole, many Canadians deem gambling to be an acceptable activity in their province (see Figure 1).

The second consequence is that, since 1969, charitable, religious and non-profit organizations have become one of the major beneficiaries of government laws and polices on gambling. Indeed, a Canada West Foundation study of gambling grant recipients found that 84% of non-profits that receive gambling grants consider these grants to be essential revenue (Berdahl, 1999). A second Canada West Foundation study of registered Canadian charities found that 34% of responding organizations participated in charitable gambling at least once in the last five years, with 36% of these identifying it as the fundraising method that generates the most revenue for their organization (Azmier and Roach, 2000).

The third consequence is the emergence of a "gaming industry" – a diverse multi-million dollar sector that takes a variety of forms and utilizes sophisticated modern electronic technology to market gambling activities in a variety of formats to gambling consumers. Perhaps not surprisingly, this industry is now comprised by a diverse set of increasingly competitive stakeholders, including provincial governments, Crown corporations, non-profit organizations, fairs and exhibitions, private sector gambling operators and suppliers, and hospitality-tourism interests. All of these gambling stakeholders now seek to maintain or increase their share of the gambling market place, with provincial governments being the largest beneficiary of gambling (Azmier and Smith, 1998).

To the extent that charities and non-profit organizations have enjoyed a historical exemption from prohibitions contained in the Criminal Code of Canada, the good causes that have been underwritten by gambling funds have played an important role in legitimizing gambling activities in general. Somewhat paradoxically, and as the following analysis suggests, non-profit organizations that have paved the way for the legitimation and widespread public acceptance of gambling stand now on the threshold of being inadvertently, but nevertheless effectively, squeezed from the gambling marketplace by an unlikely set of competitors – provincial governments.

The purpose of this study is to examine the historical influence of charitable and non-profit organizations in bringing about changes to the federal laws and provincial policies that have regulated gambling. The primary research questions that this study addresses include the following:

- Is there a discernable pattern in the perspectives held by non-profit organizations with respect to gambling policies and issues?
- Have some types of non-profit organizations been more active in lobbying federal or provincial governments for special considerations in charity gambling policy decisions?
- What preferences for particular forms of gambling (bingo, raffles, charity casinos) have non-profit organizations demonstrated?
- To what extent, if any, have provincial governments and Crown corporations justified gambling expansion as serving the interests of non-profit organizations?
- What relationships have emerged between regulators and the regulated (i.e., between provincial gaming regulatory authorities and non-profit/charitable organizations)? How have these relationships evolved?
- To what extent have non-profit organizations opposed gambling expansion, and for what reasons?

To answer these questions, a number of sources were consulted. Historical data and data related to federal government policies were gathered from existing public sources. Additional historical data on federal government initiatives to amend laws regulating gambling were culled during reviews of existing academic studies. Data pertaining to the evolution of provincial gambling policies and the influence of non-profit organizations on policy were derived from an analysis of a variety of reports produced during government-initiated policy reviews and from various provincial task forces. An analysis of a variety of submissions tendered by non-profit organizations supplemented the data gained from government-produced documents and reports. Finally, open-ended telephone interviews were conducted with key government regulators and with leaders in the non-profit sector. In total, seven persons serving in provincial regulatory agencies and fifteen persons who are actively involved in non-profit agencies were canvassed for their views.

Given the range of regulatory structures and licensing regimes that currently exist across Canada with respect to gambling (see Canada West Foundation, 1999; Azmier and Smith, 1998), it is fitting to narrow the field of study to one particular province. By focusing on British Columbia, it is possible to review the evolution of gambling policy within a specific social context, and illuminate the interests and considerations that have similarly shaped gambling policies in other provinces. **In this sense, the usefulness of a case study of British Columbia's gambling policies lies in providing a grounded basis from which meaningful comparisons to gambling policies in other provinces can be made.**

KEY TERMINOLOGY

Gambling and gaming both refer to "games of chance" for money, such as casino games, bingo, lottery, etc. This study uses the more popularly understood term "gambling" except when referencing a law, department or program that specifically uses the term gaming.

Non-profits, charitable agencies, and charities refer to the estimated 175,000 non-profit organizations in Canada. However, only about 78,000 of these are registered with the federal government as "charities." Non-profits with charitable status are more likely to be licensed to participate in gambling.

Charitable gambling refers to mostly charity-run games such as Nevada/pull-tickets, bingos, raffles and, in some provinces, casinos. Profits, after payout, expenses and licensing fees, are retained by charities.

Gambling grants are grants for non-profits that are derived from gambling revenues. The province runs the gambling venues, and uses a portion of the revenues to provide grants to non-profit organizations.

Gambling Policy: Historical Overview

By understanding how laws and policies that regulate gambling have evolved over the last 100 years and by looking at the social, economic and political influences that have shaped them, it is possible to appreciate the role that charitable, non-profit organizations have played in the evolution of gambling. The following brief review looks at some of these policy changes.

When the Criminal Code of Canada was enacted in 1892, a section originally titled "Offences Against Religion, Morals and Public Convenience" was incorporated which prohibited common gaming-houses, lotteries, cheating at play, and gambling in public conveyances. Over the years a number of incremental changes allowed for a cautious expansion of gambling opportunities:

- In 1900, the Criminal Code was amended to permit small-scale raffles at bazaars held for any "charitable or religious object."

- In 1906 revisions to the Criminal Code, the term "lottery scheme" was introduced. Subsequently, this particular phrase has been interpreted by provincial governments to encompass a variety of games including bingo, blackjack, roulette, and raffles (see Osborne, 1989:39).

- In 1925, a relaxation of the Criminal Code permitted "games of chance" and "games of mixed skill and chance" at annual agricultural fairs and exhibitions. This amendment was a result of strong lobbying efforts by representatives from agricultural fairs and exhibitions (Campbell, 1994a: 212).

- In 1954, a joint committee of the Senate and House of Commons was convened to hold public hearings on the issue of lotteries. The Committee's review revealed that lotteries and other games of chance such as bingo were extensively carried on in Canada, and expressed concerns that schemes of this nature posed "the most acute problem of control" (Joint Committee, 1956:65). When the Committee tendered its report, it acknowledged that there was significant public support for lotteries and bingos to be operated for charitable and benevolent purposes.

The turning point in the history of Canadian gambling policy occurred in 1969 in response to public and political pressures. Agitation for the introduction of lotteries was strong in the province of Quebec through the 1960s. The City of Montreal was particularly strident in seeking to implement lotteries. Faced with huge deficits for Expo '67 and facing similar projected shortfalls for the 1976 Olympics, the City of Montreal invited the population, from whatever part of the country, to register voluntarily on the tax roll of the City by sending in $2.00 or a multiple of same. The generosity of the voluntary taxpayers would be rewarded: they would be able to participate every month in a draw for 151 silver bars valued at $150,000, with a grand prize of $100,000. Subsequently, the Attorney General of Quebec brought charges against the City of Montreal which eventually were heard in the Supreme Court of Canada where the "voluntary tax" scheme was held to constitute a prohibited lottery. Within the context of such agitation favouring lotteries, Liberal Justice Minister John Turner introduced an omnibus bill to amend the Criminal Code to permit gambling in 1969. The Canadian Council of Churches dispatched briefs to the Prime Minister, Minister of Justice and both Houses of Parliament protesting the proposed amendment.

Despite the opposition of Protestant churches, the omnibus bill was passed into law in May of 1969 with "remarkable ease" (Osborne, 1989:63).

The 1969 amendment to the Criminal Code marked the transformation of policy regarding various forms of gambling from federal prohibition to provincial regulation. Intended to permit both federal and provincial governments – as well as charitable and religious organizations – to generate revenues by conducting games of chance, the amendment has resulted in a significant growth in the amount of real dollars annually expended by Canadians on state-operated or state-licensed gambling activities to $5.4 billion in 2000 (Table 1). Provincially-operated lotteries have become the most visible form of permitted gambling with every province, the Yukon, and the Northwest Territories, deriving significant annual revenues from the sale and distribution of such well-known lottery games as Lotto 6/49. Additionally, particular provinces have seen fit to license and regulate other gambling activities such as casinos, bingos, and raffles under the auspices of generating revenues for charitable or religious purposes. In 1998, these activities generated over $760 million across Canada, with an additional $175 million provided to non-profits through gambling grant programs (Table 2).

TABLE 1:
Provincial Gambling Revenue, 1999-2000

BC	$525 m	2.76%
Alberta	$855 m	4.78%
Sask.*	$221 m	4.76%
Manitoba	$225 m	5.29%
Ontario	$1,811 m	3.29%
Quebec	$1,388 m	3.41%
NB	$87 m	3.16%
NS	$167 m	5.34%
PEI	$12.5 m	2.69%
NFLD	$94 m	4.96%
TOTAL	$5,386 m	3.60%

Source: Dominion Bond Rating Service and Provincial Gaming Authorities
*Sask data from 1998-99

In 1985, provincial governments were successful in persuading federal authorities that the provinces should have exclusive jurisdiction over lotteries and lottery schemes. As a consequence of the negotiated agreement between the provinces and the federal government, the provinces unanimously agreed to make annual contributions to the federal Treasury as well as contribute $100 million toward the 1988 Calgary Winter Olympic Games. In return, the federal government amended the Criminal Code in order to facilitate provincial control over lotteries and gambling (see Osborne, 1989:68-72).

Concomitant with the monopolization of large scale, inter-provincial lotteries by provincial governments and their respective lottery corporations, non-profit organizations had quietly found a funding panacea in bingo, charitable casinos, break-open tickets and small-scale raffles. Through the 1970s, 1980s and into the 1990s non-profit organizations in most Canadian provinces and territories became increasingly reliant on charitable gambling as significant sources of income. Research has indicated that for many non-profit organizations, charitable gambling is an important revenue source (Berdahl, 1999; Hall, 1996; Azmier and Roach, 2000).

TABLE 2:
Charitable Gambling Revenue, 1998

BC	$158.7 m	n/a
Alberta	$128.6 m	$123 m
Sask.	$42.1 m	$31 m
Manitoba	$16.3 m	n/a
Ontario*	$321.0 m	$21 m
Quebec	$52.4 m	n/a
NB	$12.8 m	n/a
NS	$18.6 m	n/a
PEI	$2.0 m	n/a
NFLD	$10.3 m	n/a
TOTAL	$762.8 m	175 M

Source: Provincial Gaming Authorities
*Ontario charity gambling revenue data from 1996-97

To summarize, over the 20th century, gambling expanded from a prohibited activity to a large-scale, provincially-operated industry, with provincial governments, non-profit organizations and the federal government all benefiting from gambling revenues. The relaxation of federal gambling policy, which allowed for the expansion of gambling activities, occurred as a result of lobbying efforts by agricultural fairs and exhibitions representatives, provincial governments and others, as well as growing public support for the use of gambling to fund charitable activities. **Thus, in terms of changes to federal gambling policy, charities and non-profits were important as a justification for gambling expansion.**

We shall now turn to an examination of the role of the non-profit sector in the evolution of British Columbia provincial gambling policy.

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We shall now turn to an examination of the role of the non-profit sector in the evolution of British Columbia provincial gambling policy.

The British Columbia Experience

KEY PLAYERS

British Columbia Lottery Corporation (BCLC) – a Crown corporation established under provincial legislation for the purpose of conducting and managing provincial and inter-provincial lotteries on behalf of government. As the principal operating agency of gambling in the province of British Columbia, its mandate is to contribute significantly to government revenues and provincial economic growth.

British Columbia Gaming Commission (BCGC) – a commission established by the provincial government in 1987 to manage charitable gambling at an arms-length from government. Responsible for formulating policy and enforcing charitable gambling regulations.

British Columbia Bingo Council (BCBC) – an organization designed to represent BC operators of full-time charitable bingos. It consists of COSMO members, Registered Gaming Management Companies, Commercial Independent halls, and all bingo associations.

As the history of gambling policy in British Columbia reveals, the non-profit sector has played an important role in gambling expansion. This section provides a basic overview of BC gambling expansion. Analysis of the larger pattern of non-profit sector involvement in gambling expansion will be considered in the following section.

When lottery tickets were first marketed in British Columbia in the 1970s, non-profit community groups sold and distributed lottery tickets on a consignment basis for which they received a sales commission. Commission sales were an important revenue source for the sector. This practice ended in the late 1970s, and the lost revenue from commission sales created long-standing non-profit sector animosity towards the British Columbia Lottery Corporation (BCLC).

Charitable gambling in British Columbia was introduced in the early 1980s through a series of incremental, unplanned concessions that allowed non-profit organizations to raise funds by conducting bingos, charitable casinos, and small-scale raffles. The early 1980s in British Columbia saw an appreciable number of non-profit organizations seeking charitable gambling licenses, rising from 3,754 licenses issued in 1983 to 4,386 in 1984-85 and 4,904 in 1985-86 (Beare et al., 1988:38). In the mid-1980s government officials, reacting to police concerns that the unfettered growth of gambling was a magnet for organized crime, moved unilaterally to curtail the proliferation of bingo halls and charitable casinos. **In the face of the subsequent (and unanticipated) backlash by the non-profit sector, the province reconsidered its restrictions, opting instead for a beefed up regulatory structure, restored betting limits and increased the number of permitted table games.** As well, the province introduced regulations specifying that non-profit organizations would receive 50% of the casino winnings, and 40% would be for the private sector operators who would be responsible for the overhead. The remaining 10% would go to the province as a "licensing fee."

The BC government established the British Columbia Gaming Commission (BCGC) in 1987 as a body to manage charitable gambling. Its mandate was to "ensure that charitable and non-profit organizations, which benefit enormously from approved gaming activity, earn the maximum revenue for their worthwhile endeavours on behalf of British Columbians" (British Columbia, 1987). The BCGC began with a comprehensive review of gambling issues in British Columbia, which involved hearing community briefs. In its 1988 report, the BCGC was highly favourable to the charitable interest in provincial gambling policy, and declared that it was in the process of "developing policy which will ensure that charitable organizations earn the maximum revenue for their worthwhile endeavors..." (British Columbia Gaming Commission, 1988:I-1). The BCGC adopted a liberal interpretation of the meaning of "charitable and religious" and permitted a wide range of non-profit, community-based organizations to qualify for licensees.

In 1988, the BCLC introduced an electronic, computerized bingo technology. **Its success in introducing this technology, despite the jurisdictional authority of the BCGC, was in large part due to a strategic**

alliance with a coalition of influential charitable organizations known as the Mount Pleasant Starship Community Charitable Association (MPSCCA). MPSCCA lobbied both the BCGC and the provincial government to lend support to the undertaking as a "pilot project." MPSCCA earned $1.25 million in the first year of electronic bingo.

In 1992, the BC government rescinded an agreement that allowed charitable organizations to benefit from the sale of break open tickets marketed in partnership with the BCLC. In the same year, the BC government appointed a Gaming Review Committee (also known as the Lord/Streifel Review) to consult with interested groups on topics respecting gambling including an examination of the potential impact of expanded electronic gambling bingo or the introduction of video lottery terminals on charitable gambling (Gaming Review Committee, 1993c:1). **A total of 818 non-profit organization submitted briefs to the review, with 90% favouring maintaining or enhancing charitable gambling.** Non-profit briefs represented 76% of the total submissions to the review. Key actors included MPSCCA and the Community Advocates for Charitable Gaming (an ad hoc group). In its final report, the Committee concluded that the vast majority of submissions sought to protect charitable revenues by ensuring that new forms of gambling either (a) do not compete with existing forms or (b) provide revenues to charities. The Committee also noted that submissions asked for recognition of a right to benefit from gambling in an Act of the provincial legislature (1993a: 6).

By 1993, the provincial government was facing considerable private sector interest in gambling expansion. The British Columbia Hotel Association and the Association of Neighborhood Pub Operators petitioned the provincial government for licenses to install and operate video lottery terminals (VLTs) in partnership with the BCLC. (During this period, the BCLC publicly expressed a wish to introduce a VLT program under its jurisdiction.) At the same time, a partnership involving Las Vegas-based Mirage Resorts and a Vancouver development company proposed the construction of a $1 billion tourist-convention facility on Vancouver's downtown water front. The proposal was dependent on the provincial government's willingness to license a 125,000 square foot casino within it. In response to this potential expansion, the Casino Management Council, with the support of the non-profit sector, requested that the provincial government make significant amendments to gambling regulatory policies to protect their competitiveness in the face of a world class casino (Campbell, 1997:157).

In February 1994, amidst considerable controversy over the content and direction of provincial gambling policies, the province initiated another review of gambling policy. The review was to consider BC gambling laws and governing structures, potential gambling expansion (including major casinos and electronic gambling) and the distribution of gambling revenues. The Gaming Policy Review consulted 96 stakeholders, including 20 charitable gambling associations that represented the interests of a wide spectrum of BC non-profit organizations. The Review reached decisions to:

- ban major "Las Vegas" casinos due in large part to their probable negative impact on charitable gambling;

British Columbia Association for Charitable Gaming (BCACG) – an umbrella organization of BC charities licensed to conduct charitable gambling. Formally structured in December 1997 with financial support from the provincial government to represent charities in negotiations, BCACG endeavours to represent licensed charitable groups on a provincial basis on all matters dealing with non-profit gambling.

Coalition of Self-Managed Operators (COSMO) – a coalition of non-profit, charitable organizations holding licenses to operate bingo events in BC. COSMO represents over 700 licensees in 15 halls and generates 40% of bingo revenue in B.C.

Casino Management Council – a coalition of private-sector casino management companies.

Mount Pleasant Starship Community Charitable Association (MPSCCA) – a non-profit organization that oversees bingo policies and procedures for its 62 member charitable organizations and assists them in maximizing their bingo gambling revenue.

- expand electronic bingo into other charitable bingo halls in order to enhance charitable gambling revenues;
- explore new opportunities for charitable gambling;
- allow the BCLC to introduce some VLTs into adult-only premises;
- protect and enhance charitable gambling revenues; and
- introduce a new comprehensive gaming act (British Columbia, 1994:ii-iv).

Overall, the Gaming Policy Review affirmed the importance of gambling as a funding source for more than 4,700 charitable and religious organizations in the province. What the Review failed to consider was the strength of municipal opposition to VLTs and other electronic games. Concerned about the impact of gambling on their communities, municipal governments opposed the introduction of gambling machines through the use of zoning restriction and bylaws. As a consequence of these actions, the province was forced to reconsider its gambling expansion initiatives. (To date, VLTs have not been introduced in BC.)

In 1997, the Lottery Advisory Committee (LAC) was appointed to implement the province's new gambling initiatives, which would entail significant expansion of BC gambling. These new initiatives made repeated references to the protection of non-profit interests. While these changes would mean more revenues for the charities, the government itself was to be the major beneficiary of the new initiatives. In mid-1997, the Lottery Advisory Committee undertook a province-wide tour and information campaign to introduce and discuss how the new gambling regime would impact charities. Upon the recommendation of the BCGC, the Lottery Advisory Committee strategically cultivated an ad hoc provincial task force of representatives of non-profit organizations to support the initiatives. However, the members of the ad hoc task force became disillusioned, feeling that the LAC was not truly consulting or listening to their concerns, but rather **using charity representatives to "sell" the policy to the broader charitable community in order to diffuse potential opposition.** (This ad hoc task force evolved into the British Columbia Association for Charitable Gaming (BCACC), which was formally established in December 1997.)

In October 1997 the provincial Cabinet passed the Gaming Proceeds Distribution Regulation. This initiative:

- entrenched the revenue sharing formula with respect to revenues from bingo and casino gambling, including electronic gambling;
- guaranteed revenue to charities based on revenues generated in the fiscal year 1995-96 plus 5% (thus seeking to allay charitable fears that the new destination gambling ventures would cannibalize charitable revenues);
- prescribed the formula by which the balance of net revenues would be transferred to the provincial consolidated revenue fund, with the guarantee to charities to be distributed through a Provincial Charity Trust. The regulation thus included a trust agreement between the province, the BC Charitable Gaming Funding Society and the BCLC (Gaming Project Working Group: 1997:24); and
- did not provide for the sharing of revenue from destination casinos among charitable organizations.

"Ever since the loss of commission sales for lottery tickets in the 1970s, charities in British Columbia have been scared to death of the Lottery Corporation...it seems they just use charities to build up the gaming business then they kick us out the door."
Betty Gilbert, Executive Director of the British Columbia Association for Charitable Gaming

Non-Profit Sector reaction to proposed "Las Vegas"-style casino:

"This is really bad news. It certainly is going to kill most of our gaming revenue."
Carol Brown, Coordinatior of Ray-Cam Community Centre

"It is inevitable that patrons will flock to the glitz and no-limit floor of Mirage's casino. The bingo revenue we get is fragile enough to begin with. We barely survive. A casino would just devastate us."
John Turvey, Executive Director of the Downtown Eastside Youth Activities Society
(Source: Lee, 1994:B1.)

Elsewhere within government, concerns were mounting about the gambling enhancement policy. On December 10th, 1997, five of the six commissioners on the BCGC resigned claiming that their authority to regulate charity gambling and to develop policy had been usurped by the Lotteries Advisory Committee.

A court decision released in January 1998 was also important to the development of BC gambling policy. In December 1997, the Nanaimo Community Bingo Association, a small group of licensed charities, filed a petition in the Supreme Court of British Columbia opposing the new legislation. In January 1998, Mr. Justice Owen-Flood ruled in favour of the Nanaimo Charitable Bingo Association and agreed that the Gaming Proceeds Distribution Regulation was invalid. **Justice Owen-Flood found that the provincial government had no authority to appropriate a share of gambling revenues intended for charitable or religious organizations.**

Immediately upon the Court's decision, the provincial government established yet another review. The outcome of this review conducted by a senior government advisor, Frank Rhodes, sought to implement an interim gambling framework. The Rhodes Review was seen by many non-profit groups to be seriously contemplating the elimination of charitable involvement in gambling and replacing it with a system of government-run gambling and a provincially funded charitable trust to disperse funds to non-profit organizations. An independent ad hoc task force of non-profit representatives, calling themselves Charitable Gaming Information Systems (CGIS), joined with existing groups (including COSMO and BCBC) and private-sector bingo hall operators to oppose this "community-chest model." In the end, the Rhodes review's Interim Gaming Framework assigned responsibility for the conduct and management of casino gambling to the BCLC, with the BCGC providing direct charity access to revenues from the BCLC casino operations. This "Direct Access" funding system provided non-profit organizations with a guaranteed return from bingo and casino gambling (Gaming Project Working Group,1999: 31). As well, the review called for the development of a White Paper to be distributed for public commentary and that a draft Gaming Act be formulated.

"Community Chest Models"

Community chest models of distributing gambling revenue to non-profits exist in BC, Saskatchewan, Alberta and Ontario. Under these programs, a portion of gambling revenues from government-run gambling are collected by the provincial gaming agencies and are then distributed to non-profit applicants through provincial foundations. This process affords the granting foundations more control over the distribution of gambling revenues and replaces lost revenue to the sector that accompanied the expansion of government-run gambling.

Resistance to a community chest model of dispensing gaming revenues has been apparent in British Columbia since at least the BCGC's 1988 review. According to Wendy Smitka of the BCBC, non-profit organizations have resisted a centralized funding system out of fears that such a system would:

1. *be a stepping-stone for direct government control and operation of gaming;*
2. *be subject to political (partisan or lobbying) interference; and*
3. *reduce the ability by non-profit agencies to determine local priorities and local community needs.*

"The mandate of the LAC was to put the gaming enhancement policy into place come hell or high water. To do this it needed an organization that would give the appearance of consultation. By the time the ad hoc task force evolved into the BCACG, the critical path for government policy was already established. The BCACG's consultative role was a façade."
senior gaming regulator, Government of BC

"The Commission was opposed to the gaming expansion initiative, particularly the expansion of electronic bingo. Nevertheless, LAC went ahead over the wishes of the Commission. As a result, the commissioners resigned because they felt they could no longer serve the interests of charities and that they could no longer influence the process."
former BC Gaming Commission staff member

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1. *be a stepping-stone for direct government control and operation of gaming;*
2. *be subject to political (partisan or lobbying) interference; and*
3. *reduce the ability by non-profit agencies to determine local priorities and local community needs.*

"The new Regulation creates a scheme under which the potential gain to government and corresponding loss to charitable and religious objects is, to say the least, significant. I accept that based on the revenue split set out in the Regulation, the revenue forecast resulting from the increase in gaming and betting would result in a substantial transfer of funds from the charitable and religious objects for which they were raised to Government...."
(Nanaimo Community Bingo v. Attorney General of B.C.:14-15)

"Bingo has been left alone for the minute...but...the reality is: the minister is starting the process to eliminate charities entirely from being the main reason for gaming, so government can determine how much will be left over for charities and how much government can receive."
CGIS web site

The White Paper called for by the Rhodes review was released in 1999. It summarized a range of controversial issues that had become impediments to the provincial government's intended program of moderate gambling expansion, tendered a series of recommendations and invited public response. The principal recommendations related to charitable gambling included the following:

- the BCLC should discontinue all bingo gambling;
- charities should have exclusive domain over bingo gambling, which should be licensed by the BCGC;
- charitable bingo gambling should include "technologically assisted" bingo; in essence facilitating non-profit organizations' ability to utilize electronic forms of bingo; and
- the Gaming Control Act should clearly define the government's guarantee of revenues to charities and that charity revenues will be comprised of bingo revenues retained by charities plus an amount transferred directly to charities equal to 1/3 of government net revenues from casino gambling operations (Project Working Group,1999: iii-viii;263).

The BC non-profit sector was guardedly supportive of both the Rhodes review's Interim Gaming Framework and of the White Paper. It should be noted, however, that the Direct Access system established has perhaps had an unanticipated consequence. Groups that once benefited from casino licensing were previously required to dedicate considerable volunteer time to conducting and managing their licensed gambling event. Under the Direct Access Program, the BCGC electronically deposits funds directly into the accounts of successful applications who now simply only have to apply. **The consequence of this, according to some gaming officials, is that these recipient organizations have become contented.** They are no longer actively interested in provincial gambling policy machinations as long as their direct access funds are forthcoming, making it difficult for the BCACG to retain and attract members.

On the other hand, the non-profit groups that have historically benefited from bingo licensing and that have become active operators of their own bingo enterprises remained opposed to the Direct Access funding model, fearful that it might be embraced for the distribution of bingo revenues. Organizations like BCBC, COSMO, MPSCCA and the now disbanded CGIS view Direct Access funding as a potential harbinger for charitable bingo operations in British Columbia. These organizations somewhat disdainfully view the Direct Access program as uncomfortably close to the "community chest model" that has historically been resented and resisted in British Columbia. These groups responded to the White Paper and actively pressed for guarantees that bingo will remain the sole and exclusive domain of charitable organizations.

Lobbying efforts by the BCACG, BCBC and MPSCCA to protect the charitable interest in bingo gambling have gone beyond merely seeking provincial government assurances that charity bingo gambling will be protected in provincial legislation. In addition to provincial legislation, these organizations have endeavoured to obtain

provincial support for federal Criminal Code amendments that would give Canadian non-profit organizations exclusive domain over bingo and the legal right to "conduct and manage" "technologically assisted bingo." In the Criminal Code amendments that are now sought, charities and non-profits will be the sole beneficiaries of bingo gambling. Ultimately, amendments at the federal level will assure greater clarity and certainty regarding the continuing role of charities in bingo gambling.

"My organization has done all right financially from the Direct Access program. But what I fear most is that organizations will become dependent on these funds and, at the same time, complacent. When that happens, government can begin to limit the funds and restrict the purposes for which the funds are to be used. Next thing you know, government is keeping the revenue to itself."
Non-profit representative

In June 1999, BCACG and the Charitable Bingo Association Committee of the Bingo Council of British Columbia each signed identical Memoranda of Agreements on gambling policy with Mike Farnworth, the Minister Responsible for Gaming. Under the terms of these Memoranda, the province affirmed the role of licensed charities as sole beneficiaries of both paper and electronic bingo. **As well, the province agreed to pursue changes to the federal Criminal Code to: a) provide greater legal certainty for the continued role of licensed charities in charitable gambling; and b) permit the broad use of technology in bingo by licensed charities.** Most important, perhaps, from the perspective of non-profit organizations, the Memoranda affirms that the "public foundation" licensing model will not be pursued. However, skeptics view the willingness of the government to surrender total control over bingo to non-profit organizations as a hollow victory and the terms of the Memorandum of Agreement as a provincial ruse to thwart further litigation. Well-informed charity advocates anticipate that government/destination casinos and slot machines will continue to erode bingo revenues, and that after 2003 (the end of provincial guarantees that non-profit revenues will not be affected adversely by government gambling expansion initiatives) a significant proportion of existing bingo halls will no longer be economically viable and will collapse.

"Bingo licensees have always viewed "the community-chest model" as totally unacceptable. It smacks of 'grants' and to them 'grant is a dirty word' when it comes to gaming revenues."
Senior regulator

In June 1999, the Minister Responsible for Gaming announced an end to the gambling expansion initiatives and in July appointed Professor J. Peter Meekison to act as an independent advisor. Meekison was given the mandate to recommend processes for the relocation and changes to existing gambling facilities and the criteria to be used in these processes (Meekison, 2000:5). Meekison's report, released in January 2000, offered 29 recommendations, none of which had immediate consequences for the non-profit sector.

On July 4, 2000 the Minister Responsible for Gaming introduced the Gaming Control Act (Bill 30). Incorporating recommendations from Meekison and from the 1999 White Paper, the Bill proposes to create a new Gaming Control Authority as an independent agency to oversee major gambling policy decisions. According to the Minister, the legislation endeavours to honour provincial commitments to charities and municipalities regarding revenue sharing and decision-making. Key provisions of the Bill include a charitable funding guarantee and revenue-sharing commitments with host municipalities, and renaming BCGC as the "B.C. Charitable Gaming Commission" to better reflect its mandate.

"The Memoranda of Agreements which gives charities exclusive control over bingo is like giving us a guaranteed trip on a sinking ship with no life jackets."
Non-profit representative

In summary, the British Columbia non-profit sector has been involved in gambling expansion in a variety of ways. The following section will consider the patterns of activity, and what they suggest for Canada as a whole.

As stated at the outset, the intent of this research project was to seek answers to a series of questions. Based on the preceding histories of alterations to the Criminal Code at the federal level and of the government initiated policy changes in British Columbia, some answers can be tendered.

Is there a discernable pattern in the perspectives held by non-profit organizations with respect to gambling policies and issues?

From the histories presented in the preceding section, one discernable pattern emerges through the 20th century with respect to non-profit organization involvement in gambling. That pattern is one of increasing reliance on gambling revenues as a means of funding their programs and services. As the Berdahl (1999) and Azmier and Roach (2000) studies demonstrate, gambling revenues are an increasingly important source of funding for non-profit organizations; this conclusion is affirmed by the historical analysis.

In British Columbia, the history of policy developments conveys extensive non-profit involvement in conducting gambling events and in lobbying government to ensure that their concerns have been attended to. What is strikingly clear in the experiences of non-profit organizations in British Columbia is that access to gambling revenues has been dependent on variable government policies. Organizations in British Columbia have thus had to be vigilant in protecting their access in the face of the threat of government encroachment. In reaction to the variability of gambling policies in British Columbia, non-profit organizations have developed a perspective that they have a right to access gambling revenues. This was persistently borne out in the submissions to gambling reviews calling for that right to be enshrined in provincial legislation.

Have some types of non-profit organizations been more active in lobbying federal or provincial governments for special considerations in gambling policy decisions?

While there is considerable heterogeneity in the non-profit charitable sector and considerable differences in the degree to which groups are reliant on gambling (see Berdahl, 1999; Azmier and Roach, 2000), this study did not find meaningful differences in the attitudes of non-profits toward gambling policy changes. That is, despite obvious heterogeneity in missions and varying degrees of dependence on gambling revenues, unanimity among groups in British Columbia has been apparent when they were faced with perceived threats to charitable gambling revenues. This is borne out by the numerous and diverse coalitions and associations of charity gambling operators that have arisen through the 1980s and 1990s in British Columbia.

The qualitative data gathered in the course of this project clearly indicate that, at least in British Columbia, non-profit organizations have been reactive rather than proactive in seeking gambling expansion. At the various junctures discussed, the province has sought to introduce new forms of gambling in the interest of increasing government gambling revenues. Each initiative, as the forgoing indicates, has sought to placate charitable

organization fears that their funding would be negatively affected. In turn, charitable groups in British Columbia have not opposed government initiatives. They have, at most, been tacitly supportive. Consistently through the 1980s and 1990s, non-profits have expressed their preference that if and when expansion occurs, charitable organizations "be allowed to remain on a level playing field" with whatever new developments are to be introduced.

What preferences for particular forms of gambling (bingo, raffles, charity casinos) have non-profit organizations demonstrated?

Data gathered in the course of this project have failed to support the notion that particular non-profit organizations favour any particular form of gambling over any other. Indeed, as representatives of BCACG pointed out, organizations in British Columbia typically have held multiple licenses for a variety of gambling formats. That is, organizations typically generate funds through bingos, casinos (more recently the Direct Access program) and ticket-raffles. Given the coalitions and associations that have emerged to represent non-profit and charitable concerns to government and their undivided support for retaining charitable involvement and protecting revenue levels, sectorial interests have not been apparent.

To what extent, if any, have provincial governments (and Crown corporations) justified gambling expansion or the introduction of new forms of gambling as serving the interests of non-profit organizations?

It is apparent from the history of gambling in British Columbia that non-profit organizations have been a convenient justification for government-attempted expansions. Each of the provincial reviews explicitly conceded that non-profit funding is a vital component of provincial gambling policies and that expansion initiatives are intended to enhance, not threaten, the gambling revenues available to the charitable sector. As government through the 1980s and 1990s sought to introduce "modest expansion," non-profit benefit legitimized the expansion initiative. Representatives of BCACG are of the view that public attitudes are supportive of expansion initiatives when the revenues are to be directed to charitable causes: "The public is less supportive when the expansion is for the simple sake of a tax grab." The development of electronic bingo technology by the B.C. Lottery Corporation and the strategic partnership with MPSCCA illustrate the extent to which symbiotic alliances were forged in order to introduce new technology to the gambling marketplace in British Columbia.

What relationships have emerged between provincial gambling regulatory authorities and non-profit/charitable organizations? How have these relationships evolved?

In British Columbia, strong alliances have been forged between regulators and charitable licensees. This is evident from the early history of the BCGC whose explicit mandate was to "maximize revenues to licensees." The mass resignation of members of the BCGC is symbolic of the relationship that has been fostered between regulators and non-profit organizations. Sources close to the Gaming Commissioners attest to the bitter dismay they experienced as it became obvious in 1997 that the LAC was prepared to ride rough shod on licensing policies and practices that had been honed by the Gaming Commission over an almost 10 year period. Unable to deter the expansion

initiatives and foreseeing the destabilizing influence that expanded gambling and the introduction of slot machines would have on bingo licensees, the Commissioners were sufficiently of the mind that charitable interests were being given short shrift. Out of loyalty to the charity beneficiaries they served, they felt duty-bound to resign.

With respect to the consultation processes that accompanied the government reviews, non-profit stakeholders have been quickly invited to provide input and direction. In this respect, government policy-makers and regulators have been attentive to the perspectives of the non-profit stakeholders. However, through the entire history of gambling policy developments, there has never been a genuine public review of gambling policies. Rather the review processes have consisted of in camera meetings with stakeholders and due attention has been paid to the perspectives held by the charitable sector. In retrospect, it is apparent that consultation has served the purpose of limiting and circumventing hostile reactions for a significant political constituency should it have appeared that charity interests were under threat.

To what extent have non-profit organizations opposed gambling expansion and for what reasons?
The non-profit sector has not been a strong source of opposition to provincial government initiatives. Instead, local governments have consistently been the principal opponents to gambling expansion. Rather than having been obstructionist toward government initiatives, non-profit organizations have (at worst) been obstacles, but only in the sense that policymakers have had to placate charitable concerns that their revenue sources would not be diminished.

CONCLUSIONS

Given the developments elsewhere in Canada, whereby vast amounts of gambling revenue accrue to other provincial governments, it is somewhat surprising that British Columbia derives such a small percentage of its government revenue from gambling. In fact, of all the provinces, British Columbia receives the second lowest percentage (2.76%) of government revenues from gambling sources (see Table 1). Despite obvious interest in introducing VLTs, destination casinos, and electronic bingo formats as income generating ventures, policy initiatives have inevitably been stalemated. The stalemate, however, has not resulted from the intransigence of non-profit organizations.

There can be no doubt that a large part of the legitimacy that gambling activity has now achieved in Canada and in British Columbia is due to its historical connection to good causes such as funding religious and charitable organizations and other non-profit community-based groups. It is obvious that the success of charity gambling in its variety of formats has contributed to the environment in which regulated gambling is acceptable to a great many Canadians. What has been an ongoing challenge for policymakers in British Columbia has been to introduce expansion in a manner that would be acceptable not only to existing stakeholders such as non-profit organizations, but to the broader public as well. What can be observed in British Columbia is a sustained erosion of the role that non-profit organizations have played in conducting charity gambling events, and a persistent

encroachment by government on the revenues available through gambling operations. That is, charitable involvement in casino gambling as licensees who "managed and conducted" gambling is now passé. With the continued phasing in of destination casinos and a continued escalation in the number of slot machines in both destination and community casinos in partnership with the BCLC, legal changes to accommodate continued non-profit involvement in bingo will be for naught. Provincial government monopolization of gambling operations in the form of casinos and slot machines represents a trajectory that will ultimately destroy the viability of remaining non-profit bingo ventures. As several cynics commented: "it is not a matter of if the government will take over all gambling and institute a community chest model. It is simply a matter of when."

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